

Decision No. 40827

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
 (as amended) of E. D. SHELLEY and ) AMENDED APPLICATION No. 28502  
 H. A. SHELLEY, dba WILMINGTON BUS )  
 CO., for an increase in rates. )

Phil Jacobson for applicants. Clark H. Sturm for K. Charles Bean, Chief Engineer and General Manager, Department of Public Utilities and Transportation, and Roger Arnebergh, Assistant City Attorney, City of Los Angeles, interested parties.

O P I N I O N

Applicants operate a passenger stage service within the Wilmington area of the City of Los Angeles and certain surrounding points all within Los Angeles County. Authority is sought herein to increase fares as follows:

FARE STRUCTURE

	<u>Present Fares</u>	<u>Proposed Fares</u>
Present Routes 1, 2, & 3 and South of Lomita Blvd.	5 Cents	10 Cents 3 Tokens for 25 Cents
Remaining Routes North of Lomita Blvd.	10 "	15 Cents 2 Tokens for 25 Cents
School Fares	5 " 10 "	5 Cents 10 "

A public hearing was held in Los Angeles on October 9, 1947, before Examiner Syphers.

Official notices of the hearing were sent to the proper authorities of the City of Los Angeles and County of Los Angeles, and the interested passenger stage carriers in the area. Notices of the hearing were posted in buses operated by applicants and published in the Wilmington Press Journal:

At the hearing evidence was presented by applicants to show that the patronage of the bus line has steadily declined since the termination of the war. The services have consisted partly in hauling passengers to various war plants, but the decline in activities of these plants has decreased the number of riders. Also, during recent months there have been a number of strikes against companies in the Wilmington area and these strikes have decreased the number of workers using applicants' line to travel to and from work.

It was pointed out that applicants had not had a rate increase in the past 31 years, but that in recent months their expenses have increased considerably. One cause of these increased expenses is the institution of a franchise tax of 2½% on all fares applicable to the City of Los Angeles. This tax was instituted during the year 1946 and made retroactive to 1944. The testimony indicated that the costs of materials, supplies, parts, gasoline, and tires have increased. Also, it was pointed out that applicants have made definite arrangements to provide for wage increases which are to become effective November 1, 1947. At that time drivers' salaries will be increased from \$1.00 to \$1.25 per hour and the mechanics' salary will be increased from \$1.25 to \$1.50 per hour. It was contended that these wage increases are necessary

in order to raise applicants' wage schedule to a parity with competing companies and thereby enable them to secure efficient help. Applicants presented testimony indicating that they had suffered a loss for the first quarter of 1947 and that they could not operate at a profit under the present fares.

Testimony as to the result of operations under proposed fares was presented by a witness for applicants and also by an engineer for the Public Utilities Commission. This testimony is set out in the following table:

APPLICANTS:	<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Year ending March 31, 1948</u>		
Total operating revenue	\$47,211.61	\$61,564.24
Total operating expenses	<u>59,357.56</u>	<u>59,616.56</u>
Net operating revenue (Before Income Taxes)	<u>(\$12,145.95)</u>	\$ 1,947.68
<u>Year ending October 31, 1948</u>		
Total operating revenue	\$42,710.00	\$61,570.00
Total operating expense	<u>57,830.00</u>	<u>58,130.00</u>
Net operating revenue (Before Income Taxes)	<u>(\$15,120.00)</u>	\$ 3,440.00

The above table shows that under applicants' estimate the operating ratio for the year ending March 31, 1948, if operations are continued under present fares, would be 125.7%. Under the proposed fares the operating ratio for the same period would be 96.8%. The engineer's figures show an operating ratio for the period ending October 31, 1948 under present fares of 135.4% and under the proposed fares of 94.4%. While the estimates

of applicants and of the engineer are for different periods, both show a similar prospect for the operations.

The engineer testified that an estimated rate base for this company should be \$19,880.00. The applicants presented no figures definitely showing a rate base, but an analysis of the balance sheet, received in evidence as Exhibit 3, shows that the value of applicants' operating property less depreciation amounts to \$15,757.00. However, this balance sheet does not take into account the materials and supplies on hand, nor the land owned. These two items would raise the foregoing figure to one comparable to the engineer's estimate of a rate base. Therefore, using this rate base, we find that the estimated results of operations under the proposed fares show a ratio of return of 17.3% on the engineer's figures and 9.8% on the applicants' figures. It should be pointed out, however, that the rate base in this instance presents a somewhat abnormal situation in that most of applicants' equipment has been completely depreciated. This results in a low rate base and a high rate of return. In this particular case the operating ratio seems to present a better standard with which to judge the estimated results of operations.

Testimony introduced by the City of Los Angeles showed that the Board of Public Utilities and Transportation on July 10, 1947 recommended a fare increase for applicant company of from 5 to 7 cents. It was also indicated that the City of Los Angeles had no objection to such further increases in applicants' fares as might prove reasonable. There was no opposition whatsoever to the proposed fares.

From this record we conclude that applicant is entitled to the relief sought. The following increases in fares authorized by this decision are hereby found to be justified.

- (1) Increase present 5-cent fares to 10 cents, or 3 tokens for 25 cents.
- (2) Increase present 10-cent fares to 15 cents, or 2 tokens for 25 cents.
- (3) Present school fares of 5 and 10 cents are to remain the same.

O R D E R

Application as above entitled having been filed, a public hearing having been held thereon, the matter having been submitted, the Commission being fully advised in the premises, and good cause appearing,

IT IS ORDERED:

That E. D. Shelley and H. A. Shelley be and hereby are authorized to establish on not less than five (5) days' notice to the Commission and to the public:

- (1) Increased fares on Routes 1, 2, and 3, and south of Lomita Blvd., of 10 cents in lieu of present 5-cent fares.
- (2) Tokens 3 for 25 cents, each token to be acceptable in lieu of any 10-cent cash fare.
- (3) Increased fares of 15 cents in lieu of present 10-cent cash fares.
- (4) Tokens 2 for 25 cents, each token to be acceptable in lieu of a 15-cent cash fare.
- (5) School fares to remain at 5 and 10 cents as presently established.

IT IS FURTHER ORDERED that the authority herein granted shall be void except to the extent that the fares and charges published pursuant to this authority are filed and made effective within sixty (60) days from the effective date of this order.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 21<sup>st</sup> day of October, 1947.

Harold P. Hub  
Justice J. Cooney  
B. J. [unclear]  
Peneth [unclear]  
Commissioners